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Indo National Limited

# INDO NATIONAL LIMITED

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## INDO NATIONAL LIMITED

### BOARD OF DIRECTORS

**P.Obul Reddy**  
*Chairman and Managing Director*

**K. Ishimoto**  
*Joint Managing Director*

**S.R. Jiwarajka**  
*Joint Managing Director*

**M. Abe**  
*Wholetime Director*

**M. Sato**

**Y. Kajikawa**

**H. Uchida**

**V.R. Gupte**

### SECRETARY

**S. Venkataraman**

### AUDITORS

**P. Srinivasan & Co.**  
*Chartered Accountants*  
21, North Crescent Road  
T. Nagar  
Chennai - 600 017

### BANKERS

**Indian Bank**  
**The Bank of Tokyo - Mitsubishi, Ltd.**  
**Canara Bank**  
**State Bank of Travancore**

### SOLICITORS

**Matubhai Jamietram**  
Lentin Chambers  
Dalal Street, Fort  
Mumbai - 400 001

### REGISTERED AND ADMINISTRATIVE OFFICE

'Pottipati Plaza'  
No. 35, Nungambakkam High Road  
IV Floor, Nungambakkam  
Chennai - 600 034

### FACTORIES

Andhra Kesari Nagar  
Nellore - 524 004  
(Andhra Pradesh)  
  
Tada Village  
Nellore District - 524 401  
(Andhra Pradesh)

## INDO NATIONAL LIMITED

## NOTICE

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of INDO NATIONAL LIMITED, will be held at SINDOORI HOTEL, No.24 Greams Lane, Greams Road, Chennai - 600006, on Wednesday, the 14th July, 1999 at 10.30 A.M. to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet of the Company as at March 31, 1999 and the Profit and Loss Account for the year ended that date together with the report of the Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Mr.H. Uchida, who retires by rotation under Article 147 of the Articles of Association of the Company and as per applicable provisions of the Companies Act 1956, and who, being eligible offers himself for reappointment.
4. To appoint Auditors in the place of retiring Auditors and fix their remuneration.

## SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Mr. M. Sato, in respect of whom, the Company has received a notice in writing u/s 257 of the Companies Act, 1956, from a member signifying his intention to propose him as a candidate for the office of a

Director of the Company, be and is hereby appointed as a Director of the Company."

6. To consider and if thought fit to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Mr. Y. Kajikawa, in respect of whom, the Company has received a notice in writing u/s 257 of the Companies Act, 1956, from a member signifying his intention to propose him as a candidate for the office of a Director of the Company, be and is hereby appointed as a Director of the Company."

7. To consider and if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Mr. V.R. Gupte, in respect of whom, the Company has received a notice in writing u/s 257 of the Companies Act, 1956, from a member signifying his intention to propose him as a candidate for the office of a Director of the Company, be and is hereby appointed as a Director of the Company".

8. To consider and if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Mr. M. Abe, in respect of whom, the Company has received a notice in writing u/s 257 of the Companies Act, 1956, from a member signifying his intention to propose him as a candidate for the office of a Director of the Company, be

and is hereby appointed as a Director of the Company".

"FURTHER RESOLVED THAT pursuant to Sections 198(4), 269, 309(3), 310, 637AA and other applicable provisions of the Companies Act 1956, if any, and subject to the approval of the Central Government, and other appropriate authorities, Mr.M. Abe, be and is hereby appointed as Wholetime Director, for a period of 4 years with effect from November 17, 1998 on a remuneration as detailed below:

Salary : Rs.1,10,000/- (Rupees one lakh ten thousands only) per month.

Commission : 1% of the net profits of the Company.

## Perquisites

- a) Rent free accomodation and maintenance thereof. Gas, Electricity and water may be provided by the Company to be valued as per Income-tax Rules, 1962.
- b) Leave salary: One month's salary for every year of service.
- c) Club Fees: Fees of clubs subject to a maximum of two clubs.
- d) Personal Accident Insurance Premium to be paid in rupees and the policy will be taken out in India.
- e) Leave Passage benefits for self and family once in a year to Japan and back in business class or once a year to any place in India including return airfare.

**INDO NATIONAL LIMITED**

- f) Holiday passages for children studying outside India/family staying abroad:

To and fro holiday passage once in a year by business class or once in two years by first class to children from place of study abroad to India and to the members of the family from the place of their stay abroad to India if they are not residing in India with the Wholetime Director.

- g) Freight on his excess unaccompanied baggage to be borne when payable.
- h) Free Medical expenses including surgical and hospitalisation for himself, wife and children, if any.
- i) Reimbursement of all reasonable expenses made for travel for the business of the Company including stay at hotel and other expenses.
- j) Car/Free use of car, the monetary value of which may be valued as per the Income-tax Rules, 1962.
- k) Free telephone facility at residence.
- l) Reimbursement of entertainment, hotel and other expenses actually and properly incurred for the business of the Company."

By Order of the Board of Directors

**P. OBUL REDDY**  
Chairman & Managing Director

**REGISTERED OFFICE :**

35, Nungambakkam High Road  
IV Floor, Nungambakkam  
Chennai - 600 034

April 29, 1999.

**NOTES**

1. Explanatory Statement as per Section 173(2) of the Companies Act, 1956 is annexed.
2. Every member entitled to attend and vote may appoint a proxy to attend and vote on his behalf and the proxy need not be a member.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from July 1, 1999 to July 14, 1999 both days inclusive.
4. The Dividend, when declared will be paid on or before August 23, 1999 to those members whose names stand in the Register of Members as on July 14, 1999.
5. Members are requested to notify change of address immediately for the purpose of mailing Dividend Warrants.
6. An amount of Rs.87,219/- remaining unclaimed out of the Dividend for the year 1994-95 (declared on September 15, 1995) was transferred to the General Reserve Account of the Central Government on November 3, 1998.

**EXPLANATORY STATEMENT  
ANNEXED TO THE NOTICE OF THE  
TWENTY SIXTH ANNUAL  
GENERAL MEETING OF THE  
COMPANY AS REQUIRED UNDER  
SECTION 173(2) OF THE  
COMPANIES ACT, 1956.**

**ITEM NO.5**

Mr. K. Sakakibara, who was nominated by our Collaborator, M/s Matushishita Electric Industrial

Company Limited, Japan, had resigned from the Board with effect from July 31, 1998. Our Collaborator had nominated Mr. M. Sato, in the place of Mr. K. Sakakibara and accordingly Mr. Sato, was appointed as a Director by the Board with effect from July 31, 1998 and hence holds office only upto the date of this Annual General Meeting. A Notice in writing from a member has been received under Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- recommending his appointment as a Director. Accordingly your Directors recommend that the resolution for the appointment of Mr. M. Sato as a Director be passed.

Mr. M. Sato may be deemed to be interested in this resolution.

**ITEM NO: 6**

Mr. Saburo Abe, who was nominated by our Collaborator, M/s. Matushishita Electric Industrial Company Limited, Japan, had resigned from the Board with effect from October 29, 1998. Our collaborator had nominated Mr.Y.Kajikawa in place of Mr. Saburo Abe and accordingly Mr. Y. Kajikawa, was appointed as a Director by the Board with effect from October 29, 1998 and hence holds office only upto the date of this Annual General Meeting.

A Notice in writing from a member has been received under Section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- recommending his appointment as a Director. Accordingly your Directors recommend that the resolution for the appointment of Mr. Y. Kajikawa as a Director be passed.

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Mr. Y. Kajikawa may be deemed to be interested in this resolution.

**ITEM NO: 7**

Mr. V.R. Gupte, was appointed as a Nominee Director from March 30, 1993 as per the heads of agreement entered with M/s. Industrial Credit and Investment Corporation of India Ltd (ICICI). M/s. ICICI vide their letter dated October 7, 1998 had withdrawn the nomination of Mr.V.R.Gupte and had not proposed any other person in his place. Accordingly, Mr. V.R. Gupte's tenure as Nominee Director came to an end effective from the date of the Board Meeting held on October 29, 1998. Mr. V.R. Gupte, during his tenure as Nominee Director, had rendered valuable services to the Company. His vast experience in taxation and other general management areas would be of help to the Company and hence the Board was of the unanimous opinion that his continued services as a Director would be helpful to the Company. Accordingly, the Board of Directors had co-opted Mr. V.R. Gupte, as an Additional Director of the Company in their meeting held on October 29, 1998 and hence Mr. V.R. Gupte holds office only upto the date of this Annual General Meeting. A Notice in writing from a member has been received under Section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- recommending his

appointment as a Director. Accordingly your Directors recommend that the resolution for the appointment of Mr. V.R. Gupte as a Director be passed.

Mr. V.R. Gupte may be deemed to be interested in this resolution.

**ITEM NO: 8**

Mr. H. Uchida, Wholetime Director, had completed his assignment successfully with the Company on November 17, 1998 and had to leave for Japan for taking up another assignment. Hence he had resigned as Wholetime Director effective from that date. In view of the valuable services rendered by Mr. H. Uchida, the Board requested him to continue as an ordinary Director and hence he is continuing in that position. Mr. M. Abe was recommended by Our Collaborator, M/s. Matsushita Battery Industrial Co. Ltd., Japan, for the post of Wholetime Director in place of Mr. H. Uchida. Mr. M.Abe is a graduate of Ariake National College of Technology in Japan and he has been associated with our Collaborator for a period of more than 20 years and has got rich experience in handling overseas assignments. Accordingly, the Board at the meeting held on October 29, 1998, had appointed Mr. M. Abe as an Additional Director effective from October 29, 1998. The Board also had appointed him as Wholetime Director effective from November 17,

1998 for a period of 4 years on a remuneration as per terms and conditions as given in the resolution under reference subject to the approval of the Central Government and that of the Shareholders in this Annual General Meeting. A Notice in writing from a member has been received under Section 257 of the Companies Act, 1956, along with a deposit Rs.500/- recommending his appointment as a Director. The Board considers that the Company would benefit with his association and recommends this resolution for your approval. The proposed resolution is for obtaining the approval of the Shareholders.

Mr. M. Abe may be deemed to be interested in the above resolution.

This explanatory statement with the accompanying notice, should be treated as memorandum of interest, required to be sent to shareholders under Section 302 of the Companies Act, 1956.

By Order of the Board of Directors

**P. OBUL REDDY**

Chairman & Managing Director

REGISTERED OFFICE :  
35, Nungambakkam High Road  
IV Floor, Nungambakkam  
Chennai - 600 034

April 29, 1999

## INDO NATIONAL LIMITED

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twenty Sixth Annual Report of your Company together with the Audited Balance Sheet as at March 31, 1999, the Profit & Loss Account for the year ended that date and the Auditor's Report thereon.

## REVIEW OF PERFORMANCE

## Dry Cell Batteries

As per information available with the Dry Cell Battery Manufacturers' Association, the Dry Cell Battery Industry production as a whole had registered a negative growth of about 1.5% for the year 1998-99. However, your Company's production had increased by 5% from 472 million pieces to 494 million pieces.

Your Company had achieved a new milestone in Sales Volume by reaching the 500 million mark thereby registering highest growth rate of 5% in the Dry Cell Battery Industry. The sale value had increased by 6% from Rs.214 crores to Rs.226 crores.

## Torch Lights

Your Company was able to maintain the sales value at Rs. 4.58 crores at more or less the same level as that of last year's figure of Rs. 4.54 crores.

## FINANCIAL RESULTS

Your Directors are happy to report that profits before tax for the year under review at Rs.22.51 Crores had increased by 11% over the previous year's figure of Rs.20.30 crores. However, the profit margins in Dry Cell Battery Industry were under pressure due to severe competitive conditions prevalent in the market especially after the entry of new players. In spite of this adverse market situation and the increased expenditure on account of advertisement and sales promotion activities incurred by your Company during the year 1998-99 for aggressively improving sales, your

Company was able to achieve higher profit levels mainly due to various measures undertaken by the management including wastage reduction, productivity improvements, tight control over manufacturing and other overheads and judicious management of working capital resources. The efficient management of working capital resources had resulted in reduction in inventory levels and the timely collection of receivables and other such efforts to keep the utilisation of working capital loans at the minimum had resulted in substantial savings in interest and finance charges which had come down from Rs.1.79 crores to Rs.0.73 crores.

The Financial results for the year 1998-99 as compared with the previous year are summarised as under :

	1998-99 (Rs. in lakhs)	1997-98 (Rs. in lakhs)
Profit before Depreciation	2762.43	2508.46
Less : Depreciation for the year	511.78	478.86
	<u>2250.65</u>	<u>2029.60</u>
Add : Excess Provision for taxation for earlier years no longer required	128.48	—
Add : Surpluses in P&L Account brought forward	54.64	41.92
Profit available for appropriation	<u>2433.77</u>	<u>2071.52</u>
Your Directors recommend the following appropriation :		
General Reserve	1350.00	1150.00
Provision for Taxation	700.00	640.00
Proposed Dividend (70%)	262.50	206.25
Tax on proposed Dividend	28.88	20.63
Balance in P&L Account carried forward	92.39	54.64
	<u>2433.77</u>	<u>2071.52</u>

## ISSUE OF BONUS SHARES

As you are aware, your Company issued bonus shares in October'98 in the proportion of one Equity share for every existing Equity share held by the members of the Company whose names appeared in the Register of Member as on October 28, 1998.

## DIVIDEND

Your Directors are happy to recommend a dividend of 70% for the year 1998-99 on the increased Share Capital amount of Rs.3.75 crores including the above Bonus Issue made in October'98 as against 110% for the previous year. This Dividend, if approved, will be paid to the Shareholders whose names appear on the Register of Members as on July 14, 1999.

## ANALYST AWARD 1998

Your Directors are pleased to inform that your Company had obtained the Analyst Award 1998 from The Institute of Chartered Financial Analyst of India, Hyderabad, on being ranked among the most investor rewarding companies in India for the period 1993-98 in the medium scale sector (Turnover ranging from Rs.100 crores to Rs.500 crores). The certificate of honour has been conferred in recognition of your Company's sustained efforts in maximising the shareholders' value among other things and is also based on various qualitative and quantitative parameters including the track record of the Company for the last five years, credit rating history, return on risk free investments, Company's performance for the year 1998-99, etc.

## SILVER JUBILEE CELEBRATIONS

As reported last year, your Company had celebrated its Silver Jubilee in the month of November '98 in a fitting manner. Mr.T. Yasuda, President of our Collaborator M/s. Matsushita Battery Industrial Co. Ltd., Japan, among other dignitaries, participated



in the Silver Jubilee function and wholeheartedly appreciated the Company for achieving the No.2 position in the Dry Cell Battery Industry in a relatively short span of time and also for maintaining excellent results in terms of sales and profitability year after year. He also appreciated the support, hardwork and excellent co-operation extended by your Company's Authorised Wholesalers' all these years in distributing the Company's products.

### **Y2K COMPLIANCE**

Your Directors wish to report that the entire hardware and software systems installed by the Company are Y2K compliant and your Company has taken necessary steps to tackle any problem which may arise due to Year 2000 issues. No specific cost element is involved for solving the Y2K Problem.

### **EXPANSION PROJECT**

Your Company had successfully completed the expansion project during November '98 by further increasing the production capacity at the Nellore factory by 120 million pcs. per annum. The entire project cost amounting to about Rs.9.44 crores was met out of internal accruals and the commercial production had started from December, '98.

### **UNION BUDGET FOR 1999-2000**

The Union Budget for 1999-2000 announced rationalisation of excise and customs duty rates among other measures in order to boost the domestic industry. The reduction of Excise Duty on Dry Cell Batteries from 18% to 16% and the removal of Modvat restriction have been positive features which are welcome. However, Excise Duty has now been imposed on MRP for Torch light products also which has resulted in increased procurement costs and consequently increased prices in the market. The

imposition of 10% surcharge on Import Duty had pushed up the cost of imports of various raw materials and components. Import of machineries (general machinery) has also been made costlier as the rate of Duty has gone up from 20% to 25%. The surcharge at 10% on Corporate Income Tax will also result in increased cash outflow for your Company.

### **PROSPECTS FOR THE CURRENT YEAR**

As reported earlier, the Dry Cell Battery market conditions are becoming increasingly competitive and maintaining the existing market share itself is becoming more and more difficult due to the severe price wars prevalent in various segments of the Dry Cell Battery Industry and also due to other aggressive sales promotion activities undertaken by the competitors.

The various measures undertaken by your Company during 1998-99 including increased sales promotion and advertisement activities had yielded results. During the current year, your Company is planning to intensify these activities further especially to improve the brand reach in rural areas which is very important for the paperclad segment of the Dry Cell Batteries and an increased outlay under advertisement has been earmarked for this purpose. Besides, for further improving profitability of operations, your Company is embarking upon Total Quality Management (TQM) and Total Productive Maintenance (TMP) activities during the current year which will continue for the next few years. With the expected buoyancy in foodgrains production, lower inflation rates and expected favourable monsoon for yet another year, it is hoped that demand for Dry Cell Batteries will improve in the current year. With the expected improvement

## **INDO NATIONAL LIMITED**

in overall demand coupled with various measures initiated by the management as indicated above, your Company is hopeful of achieving good performance for the current year also.

### **EXPANSION PLANS**

Your Company is exploring the possibility of introducing one more variety in UM-1 segment with a false bottom which is expected to strengthen the existing product range. The estimated cost of the project is around Rs.3 Crores and your Company is planning to meet the same out of internal accruals. The necessary order has been already placed for the import of machineries and the entire project is likely to be completed before the end of the year.

### **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE, ETC.**

Details regarding conservation of energy, foreign exchange, technology absorption including R & D efforts (as required under amended Section 217(1) of the Companies Act, 1956) are given separately in Annexure "A" to this Report.

### **PERSONNEL**

Your Directors are happy to express their appreciation for the support and co-operation extended by all employees of the Company. Your Company had negotiated and finalised new wage agreement during the year for Tada factory and this new agreement will be valid upto April 30, 2001.

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 are set out in Annexure "B" to this report.

### **DIRECTORS**

Mr. H. Uchida, Wholtime Director had completed his assignment successfully with your Company and left the Country on November 17,